

PRODUCTION

ISSUE: What measures are warranted in striving to improve the overall quality of national foreign intelligence products and the efficiency with which they are provided?

BACKGROUND: The production issue concerns the following questions:

- (1) Are consumer-voiced criticisms concerning the quality of intelligence products valid? If so, are the deficiencies sufficiently acute to justify consideration of profound reforms?
- (2) If the quality-of-product problem is serious, how much of it is quantitative, and how much, qualitative? In what areas will additional analysts help? Where are improvements in management, working environment, data availability, or analyst skills and motivations most needed?
- (3) Is the production effort in reasonable balance with regard to:
 - o The overall intelligence process. (i.e., Are we collecting more data than our production resources can effectively assimilate, analyze and communicate? Is data availability a constraint in some areas?)
 - o The market for intelligence products. (i.e., Is the supply of products and services in consonance with consumer demand?)
 - o The internal division of responsibilities. (i.e., Is the production workload distributed among the many contributing civilian and military agencies in the most efficient way?)
- (4) What can the Community do to better assure that the right intelligence products are reaching the right consumers at the right time?

None of these questions are new, or remotely original. In fact, they have been around so long and repeated so often as to have achieved the status of conventional wisdom--touching upon universal truths of great venerability, or hackneyed cliches of no substantive content, depending on whether the speaker is a critic or defender of the Community's performance. Clearly, the very fact that these issues continue to be raised means that the Community must continue to take them seriously. By definition, if consumers or the Congress are dissatisfied with the Community's product, the Community has both efficiency and quality control problems to which it must respond.

The nature of that response will, however, be governed by judgments as to the substantive merit of these criticisms, and the possibility, both theoretical and practical, of implementing meaningful corrective actions. If the criticisms are deemed to be valid, no less than a major review

aimed at developing profound reforms in methods and organization would be in order. Minor budgetary initiatives at the margin are simply too puny to hope to make enough of a difference. If, on the other hand, the dissatisfaction expressed by national consumers springs from their insatiable appetites for more and more certainty about present and future, a continuing program of marginal budget innovations would appear the appropriate response in countering issues bred by unrealistic consumer expectations.

Alternatively, the greater shortcomings may be more in the system for distributing intelligence products than in the products themselves. Much of what the Community produces will always appear irrelevant to a large portion of consumers whose specialized interests lie in other areas. Moreover, much of what is produced is highly topical, and therefore highly perishable, suggesting that freshness may be as important a dimension of product quality as is substantive merit. A recent (May 1978) OMB-sponsored consumer survey concluded that distribution offers fertile ground for achieving improvements in consumer satisfaction.

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The most basic marketing question of all concerns the Community's product line: How well does the mix of products conform to consumer demand? In the absence of any direct mechanism for relating supply to demand (a function served by prices in the ordinary marketplace), it has been necessary to create proxy measures. On the demand side, the proxies are the "priorities" lists, three of which (one produced by the Priorities Review Committee, one generated by the SecDef, and the third, the Director's traditional DCID 1/2 listing) now compete at the national level. Similar problems exist in measuring supply, where the most readily available proxy for intelligence output is dollars put into intelligence production*

Sec Def has no role - DCID 1/2 derive from PRCS
Analysis of supply-demand relationships, using these imperfect surrogate measures (DCID 1/2 priorities and CIRIS production input dollars) is underway in OPEI at a macroscopic, broad subject level. Although more work needs to be done, preliminary results do not indicate any discernible correlation between supply and demand as measured by these, the best available management indicators. As Figure I shows, significant shifts in the demand proxy have had no apparent effect on the supply proxy, which rather reflects a constant-shares distribution of production resources. Although estimation errors are present, to be sure, in both trends, they are not likely sufficient to invalidate this observation. Nonetheless, it must be recognized that the sensitivities of the indicators, particularly on the resource side, do limit confidence in the conclusiveness of this kind of analysis.

Although these management issues suggest a need to contemplate alternatives broader and much more fundamental than any which accompany the FY80 program managers' submissions, some of these issues have precipitated in specific marginal budget choices. It is, however, to be stressed that these budget choices are no more than representative of the deeper management issues.

*CIA has done some work in tabulating product mix directly.

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